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Lloyd George, David

Peace and retrenchment

[London]

[1918?]

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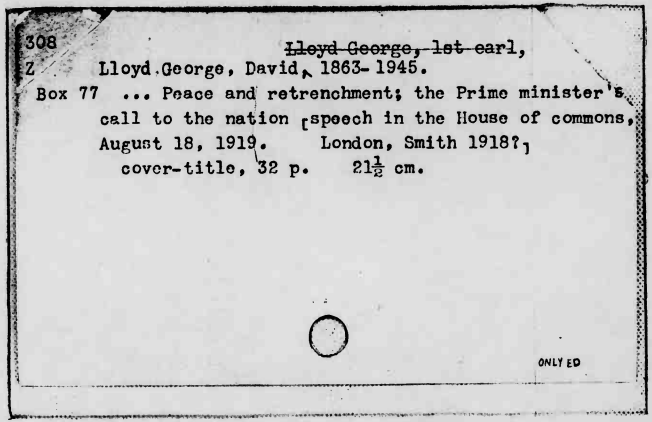

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"Let all who will, man the boats and save the nation."

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PEACE
and
RETRENCHMENT.

THE PRIME MINISTER'S CALL TO THE NATION.

Distributed by
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Speech delivered by the Prime Minister in the House of Commons, August 18, 1919.

19 Aug 1920, Sm

PEACE and RETRENCHMENT.

In the House of Commons on August 18, 1919, Mr. Lloyd George reviewed the trade and industrial position of the nation, and made an appeal to all classes to co-operate in the economic salvation of the country. The Prime Minister said :—

The country, of which I have to take a survey, is so very wide and so sweeping that it will be impossible for me in the picture to do anything beyond noting the broader aspects of the landscape. I only propose to deal with the trade and industrial position. That will include a review of the coal-mining industry in this country, and certain proposals which have been made in respect to it. There are certain advantages in making the review now rather than at an earlier period. Earlier in the year there was a good deal of obscurity, and there were a great many uncertainties in the situation—uncertainties that have been cleared up since then. During the time I was at the Peace Conference I had the privilege of meeting a good many experts from many lands, and debating and discussing with them the whole industrial position throughout the world. Now that I recall some of the things that they predicted, I can see that not even the astutest amongst them foresaw exactly the course that events have taken.

APPEAL FOR SUGGESTIONS.

Another advantage is that I am making my statement on behalf of the Government on the eve of the Adjournment, and I propose, after reviewing the situation, to place before the House and the country a series of suggestions and proposals which the Government have formulated to deal with many of the difficulties which have arisen. They are put forward with a view to discussion. They are put forward with a view to enabling Members to consult with their constituents, and with others who have first-hand knowledge of the business complexities of this and other countries, and so to come back and to assist in improvement by the adoption of some suggestions, and the elimination of others. All I am going to ask at this stage is that everybody, realising the gravity of the position, will give a fair and impartial consideration to the suggestions put forward. I ask them to realise that the future of the land depends upon the way in which these difficulties are faced, and the way in which Parliament attempts to grapple with them. I do urge that all personal considerations should be set aside when we are dealing with big questions of this kind, that we should remember that this is our common country, and that we should do our best to help.

THE COST OF THE WAR.

I should like to say one word about those who seemed to expect that the moment the War was over we should instantly return to the

normal. Nay, more than that, that things should be even better than before the War, and that immediately on the click of the switch of Peace everything would leap back again to the normal, and be exactly as it was in 1914. No man who imagines that can have realised for a moment the magnitude of the disturbing events of the last five years, and certainly he can never have read the lessons of history. If a house is shaken or demolished you may build a better structure. but the new structure does not pop out of the ground like Aladdin's Palace on the rubbing of Aladdin's lamp; you have to build it. The direct cost of the War to the world was £40,000,000,000, spent, not in reproductive enterprise, but spent largely in destruction. If 40,000,000 of able-bodied young men were to take a holiday for four years, and were withdrawn from the task of reproduction and wealth-creation in Europe and America, and for that period, they had had £1,000 placed at their disposal to expend, it would give some sort of a notion of what war on this gigantic scale means. You would not expect at the end of the four years everything to be the same. You would not expect to have the habit of industry come back immediately, and you would certainly expect that the difficulties which had arisen would take some time to get over. What are the difficulties that arose immediately on the cessation of hostilities? Let me summarise them.

AFTER-WAR DIFFICULTIES.

First of all, you have the change from war to peace conditions. I remember when I was Minister of Munitions how long it took the industries of this country to change from peace to war conditions. It will take them just as long to adapt the machinery and the workshops of this country to peace conditions after they have been working on war material for two or three years. Contractors were shy and even shuddered at orders. Orders were often even shyer. No one quite knew what was going to happen in respect to prices. That had a very paralyzing effect upon business. There was a shortage of labour owing to the fact that demobilization necessarily took time. There was a shortage of material. There were great transport difficulties. Then there were stories of great accumulated stocks of manufactured goods in foreign countries, which, on the signature of Peace, would rush into this country and depress prices. Sir A. Geddes and his predecessor had to deal with that situation, and to restore confidence. They took the necessary steps, which turned out to be eminently successful. A certain number of restrictions were imposed on imports by Orders terminating on 1st September next. That gave the community a sense of security, at any rate, up till 1st September. They could manufacture and deal in goods without the fear of this great inrush of accumulated stock coming into the country. The contractor could safely launch out without fear of the ice cracking under him. Then the supply of labour considerably improved. From the three Services—Navy, Army, and Air—3,600,000 men have already been demobilized. Out of that enormous mass of able-bodied men there are

only 350,000 who have not yet been absorbed in industry. I think that is a great achievement, and my right hon. friends are very much to be congratulated upon the successful way they have dealt with this difficult problem.

WORST TROUBLES TO FACE.

Trade has steadily improved. But we have still our worst troubles to face. Let us have the facts with regard to these matters. The first fact, then, is—I am not sure that the conclusions that will be drawn will suit any particular school of thought—the first outstanding fact is the alarming adverse trade balance. Before the War, we had the greatest international trade in the world, looking at the size of the country, looking at its configuration, looking at its resources. It is a country which must necessarily depend upon international trade—always must. Before the War, if you took our export of manufactured goods, we sold £9 per head of the population of the United Kingdom, Germany sold £5 10s. per head of her population, France sold £4 4s. per head of her population, to customers across the sea. The United States of America sold £2 10s. per head of her population. If you add to that the carrying trade—we did half the carrying trade of the world!—if you add to that insurance, commissions, banking, all the international services which we rendered in an exceptional degree, you will find that the disparity between us and our very nearest rival is very great, and that shows the extent to which we depended on our international trade. It amounts to £45 per household of the United Kingdom.

OUR INTERNATIONAL TRADE.

Realise how important the trade across the seas was to the United Kingdom. We cannot prosper, we cannot even exist without recovering that trade and without maintaining it. I go beyond that and I say without increasing that trade. How do we stand? Before the War our imports exceeded our exports by £150,000,000. In January last our exports were £47,000,000, and this last July our exports were £65,000,000, but our imports less re-exports in July were £141,000,000, and if that were the rate that we maintained, instead of an adverse balance of £150,000,000 we should have an adverse balance of very nearly £1,000,000,000. But take the average throughout the year—there were reasons why the exports for July should be down, I am sorry to say there were labour troubles—the adverse balance will be between £700,000,000 and £800,000,000. That is our adverse balance before the War. It was £150,000,000, and our adverse balance at the present rate—and I must get this fact home to the mind of everybody in the United Kingdom, because unless it is brought home there is no salvation for this country—is nearly £800,000,000.

ADVERSE TRADE BALANCE.

How did we reach £150,000,000 before the War? We had advanced £4,000,000,000 to the world, and we were getting an interest of something like £200,000,000 per annum. Then our

shipping trade, our insurance, and commissions and other services came to another £150,000,000, and so we got invisible exports amounting to £350,000,000. Therefore we had a balance on that account of £200,000,000 in our favour. On mere buying and selling there was an adverse balance of £150,000,000, but on the whole balance of trade, our finance and shipping business, we made a profit of £200,000,000 a year. We had a balance of £200,000,000 a year in our trading with the world.

What happened to that? We reinvested it almost every year, and the result was the indebtedness of the world to us was increasing rapidly every year, and more especially during the last seven or eight years before the War. What has happened since the War? We have sold £1,000,000,000 of our foreign securities in payment for war material for ourselves and our Allies. We have borrowed probably another £1,200,000,000 from America more particularly, and Canada, for the same purpose. It is perfectly true that the Allies owe us a very considerable sum, and I think in round figures it amounts to £1,800,000,000, and that includes Russia. We are debtors to the West, we are creditors to the East, the rising sun is our debtor and the sunset is our creditor, and as Russia is included in the first, I am afraid the stocks of the dawn are not particularly good security at the present moment.

As far as the receipts are concerned, from our foreign investments we are down £100,000,000. We have got to pay an adverse balance on trade of £800,000,000. We must bridge that chasm, for at the bottom of it is ruin. We are building the temporary bridge now by borrowing, not state borrowing but by traders borrowing, by running into debt for raw materials, and for food. That will only add to the catastrophe by your advancing further on the bridge, which is a shaky one, and you are advancing with increasing weight along it. That is the position with regard to international trade.

NATIONAL INDEBTEDNESS.

The national indebtedness is another disquieting feature. Before the war our National Debt was £645,000,000, and we were disturbed by it. Our interest and Sinking Fund was £24,500,000. To day our National Debt is £7,800,000,000, and against that we have the indebtedness of the Allies and the Dominions, and India, of £1,800,000,000, but the interest and Sinking Fund together would amount to £400,000,000. That is our debt, and instead of costing £24,000,000 it will involve an annual charge of £400,000,000. Pensions, an absolutely new charge, amount to £100,000,000 per annum. I want for the purposes of a review of the position to assume that you cut the cost of the Army and Navy down to the lowest any sane person can figure. Assume that for the moment, and still the pay is treble, the cost of material is double, and whatever you may cut down to within the limits of safety the cost must be enormously increased. Before the war it was £80,000,000.

PUBLIC EXPENDITURE.

Then there is another factor. A good deal has been said about public expenditure, but there is not nearly enough said about private

expenditure, which in the aggregate is a much more formidable figure. I say nothing of the expenditure due to a rational uplifting of the standard of living, but there is another expenditure which would not be justified under the circumstances of the moment. There seems a temptation to rush into prodigality, and I should not be doing my duty in reviewing the position of things unless I alluded to that. To meet these conditions of an adverse trade balance which is alarming, an increased expenditure which is inevitable from the reasons I have given apart altogether from any criticism which may be directed against this Department or another, pensions, Sinking Fund and interest on debts, there is but one resource and one way of meeting it, and that is by increase of production. What are the facts there?

OUR DIMINISHING OUTPUT.

There is almost a sensational decrease in output. That is true of every branch of production except agriculture, where you have had an increase during the War. I have inquired in every direction and the output is sensibly diminished in every branch of industry. We are spending more, earning less; we are consuming more, producing less. Those are the facts of the situation, and it cannot last. Take coal. It enters into everything, almost every form of production, every manufacture, iron and steel, textile, shipping. There could be no more serious blow at trade and industry than a diminution in the output of coal. Our trade depends more upon it than upon any other commodity. It fetches and carries, it goes to the shop and fetches the goods, carries them back and pays for them. Food, raw material—coal fetches them, and coal pays for them. If you go down to the Argentine to fetch wheat for bread, you pay largely for it with coal. You pay the outward journey with coal, and the man who sells you the wheat pays you half the price of the cost of carrying. A diminution in coal means food must go up in price, raw material must go up in price, and our shipping will be hit. Every industry will be hit, our international trade will be ruined. Therefore, there can be no more serious facts in the whole of our international trade than the depression in the output of coal.

Before the War 287,000,000 tons were produced per annum in this country. At the present rate there will be 200,000,000 tons produced, and that is a diminution of 87,000,000 tons per annum in the output of coal. I believe last year it was 220,000,000 tons. That is not due to the fact that you have fewer men engaged in the coal business. On the contrary, you had 1,110,000 in 1914, and you have 1,141,000 now, so that there has been an increase in the numbers employed. With regard to the price, there has been an increase which is most disconcerting for all who are engaged in any industry that is dependent largely upon coal. A ton of coal raised in 1913 cost 10*s.* at the pit head; on 16th July last it cost 26*s.* We are not producing or handling as much per man as we were producing and handling on the 4th August, 1914. This reduction in output is the outstanding feature of the moment. It causes the greatest anxiety and apprehension, and unless by concerted effort it is removed the future is indeed dark. It is partly responsible for

abnormally high prices which are the inevitable outcome where the supply is less than the demand, and it handicaps us in competition with other countries where production is greater and cheaper. I have had reports recently that in the United States, where wages are higher and where the hours of labour are longer, the labour cost in proportion to the article produced is less. If that is the case, then competition is impossible, and let me say at once no tariff would ever remedy that.

COUNTRY NOT PAYING ITS WAY.

I should like to say a word about the effect upon the exchanges. Unless you pay the adverse balance by means of goods, it must have the effect of depreciating the purchasing quality of your coin. At the present moment in the United States the British sovereign is worth 17*s.* 6*d.* That is due to the fact that we are not paying for the goods we are getting, either food or raw materials, by goods that we are producing here.

The fact that the imports at the present moment are almost exclusively food and raw materials makes it more serious. Under the Order that is still in force most manufactured goods are excluded until the 1st September, so that the adverse balance is upon the actual essentials of existence and of business in this country. That must be redressed if we are to keep our place as a great and prosperous community. We are not paying our way. That is the most serious statement that you can make to a business man. It is the most serious statement that you can make to a country. We shall never pay our way until we increase production, and if we do not do that now, we shall be driven by the stern scourge of events later on either to increase production or to reduce lower than ever the standard of living. I can see no other alternative except quitting the country for which the people have fought so grandly for four years.

Let me examine the reasons for diminished production, because unless you get at the cause of the diminished production you cannot find the remedy. The first, I am glad to say, is vanishing, or is almost vanishing. It is the change from war to peace conditions. The machinery is being adapted for that purpose, and I do not think at the moment that it is a cause which is responsible for even a perceptible percentage of the under-production. The second is the renewal, the repair, and the cleaning of machinery. All these machines have been run during the War to the utmost limit. There was no time for renewing, there was hardly time for repairing, and therefore there was quite inadequate time for cleaning. That is a process that has been going on for the last three months, but it has slowed down very considerably owing to the lack of labour. Take a third cause. Let us talk without seeking for offence. When a country comes to this condition we must talk frankly to each other. Everybody is suffering from the terrible strain of the War. Nerves are jagged and sore. I am not sure that we make sufficient allowance for that, and for the nervous reaction. There is no surer sign of ruffled nerves than the general disposition to grumble and grouse about everything and everybody. Everybody is complaining of everybody else. Everybody is

complaining of the management, whether of the country or of business, and trade unionists complain of their leaders.

The people are complaining of Governments; they complain of the existing order of things; they complain of Providence. Gradually we shall pass away from that state of things if we exercise common-sense and forbearance—forbearance not merely on the part of the grumblers, but also on the part of those who are grumbled at. If they have the good sense and the humour to appreciate the situation, and not to get too upset, but to realise that it is the sort of passing mood which you get on board of ship when you have a week's sickness and when everybody grumbles. In time most will have forgotten their fretfulness, and there will be only a few, a wretched remnant, who will be always disappointed that they were unable to take advantage either to upset the Government or the existing order and institutions of the country.

WORLD SUFFERING FROM SHELL-SHOCK.

All that will pass away. It is prevalent throughout the world. It is not merely here; it is in France, it is in Germany, and to a less extent you get it in the United States of America. The world is suffering from shell-shock on a great scale, and the habitude of industry has not been quite recovered. When you have led a different life, a good deal of it wasted, not working, it is difficult, in two, three, or four years after that quite to get into the frame of mind to make you stand by a machine for eight or nine hours a day. But I wish that were all. It is true that hours of labour have also been reduced. One of the arguments for the reduction of hours of labour that I have heard in this House for the last twenty or thirty years was that you would not have less production, but, on the contrary, that you might increase it, and that you would certainly improve its quality. I have heard it many a time when I used to vote for the Eight Hours Bill for Miners, I have heard it on the Seven Hours Movement, and I have heard it whenever there has been any discussion on the reduction of hours. Unfortunately, the fact is that with that substantial reduction in the hours of labour you have had a reduction in output almost in mathematical proportion to the diminution in the number of hours. As far as I have been able to discover, it is true of almost all the trades where there has been a reduction. It may be merely temporary.

EMPLOYERS AND MEN.

Are we quite sure there is not something more? Is there not an element in some trades, and amongst a certain number of men engaged in those trades, of deliberate and concerted slowing down? I do not think that that is confined to labour. I have had some evidence of it among employers and among managers. It is a severe charge to bring against employers that they are "ca'ing canny," but in some industries I have had some evidence of that. It may be due to trade conditions; it may be due to other reasons which I will not investigate. There is evidence of slackness. The effort has got to be quickened, tightened; employers, managers, foremen, workmen, must put their

backs into it to save the country. One reason why labour is being induced to lend countenance to that policy is a reason which is creditable to its intentions and its desires. It is due to the fallacy that the less you work the more work there will be for others. There never was a more fatal error. You have only got to look at the coal trade. The reduction in the output of coal is at the present moment depriving people of employment. If it goes on it will throw hundreds of thousands out of employment in this country. You have only to work it out to its inevitable consequence, and you will find that to deliberately reduce output means in the end all-round unemployment on a gigantic scale. It is important, therefore, that that fallacy should be exploded, especially by those who speak with authority to Labour. It is difficult for them to speak. I know the courage of the Labour Members, and I am perfectly certain that they would do so, because they realize as well as anyone else does in this House that it is a very dangerous policy to pursue and encourage, and a disastrous one for Labour. The price of food will go up, the cost of material will go up, and, what is still worse, we will not get food for this country, because you cannot live for ever on borrowed food. You will not get raw materials. There will be no work for those who manipulate and transform and transfigure it into the beautiful things into which British hands can transfigure any material. It is a disastrous policy for all classes. That is why I appeal to employers and to workmen to get rid of this ruinous fallacy which seems to possess the minds of hundreds of thousands at the present time.

CONGESTION ON RAILWAYS AND DOCKS.

There are other causes which are contributing. One is the block on the railways and in the docks. The railways are not in perfect repair and cannot be repaired. Locomotives, wagons, have not been kept in repair; cranes are out of repair. The nation was too busy to attend to them; it was fighting for its life, and they have all suffered from neglect. We have not been able to keep up the number of wagons; we ought to have increased them. Tens of thousands of wagons and locomotives were sent to France. Many are destroyed; many are still there in the essential work of clearing up the country and for the Army of Occupation. The result is the block on the railways and in the docks. Traders also are partly responsible. The trader is not discharging his goods and cargoes from wagons as rapidly as he ought to. He is using them more than ever as warehouses on wheels. He is sending goods in what are called small packages, instead of filling the wagons to their full capacity; so that, when you have got the wagons and locomotives of this country reduced in number, you have only got two-thirds of the capacity for the rest.

You will never do that until you put up the railway rates, until the increases in railway wages are paid, not out of the taxpayers' pockets, but by a direct charge upon those who use the railways. We have only just had the Ministry of Transport Bill through which gives the power to deal with it.

THE REMEDY.

I have dealt with the causes of the reduction in output; now I come to the remedy. I have dealt with the change from war to peace work, with the repair and renewal of plant. The block on the railways will be dealt with under the Ministry of Transport Act. The new Minister of Transport is equipped with full powers to deal with that situation, and I have no doubt at all that, with his usual energy, he will lose no time in coming to grips with it. But in order to enable him to deal effectively with it he must have the assistance of everybody. He must have the assistance of the trader, of officials on the railways, of the officials in the docks, and of the general public. When that is done I have no doubt at all that he will be able to deal quite effectively with the position.

With regard to war-weariness and the exhaustion which comes from strain, that can only be cured by the effort of the people themselves of all classes. There is no recovery without conscious effort on the part of the patient himself. It is a matter of will and goodwill.

AN UNDERSTANDING WITH LABOUR.

Labour demands an understanding as to the future, and, I think, the nation must come to an understanding with Labour. What Labour says is—and I have made a good deal of direct inquiry from those who are in a position to know—what Labour says now is: "We realise all that you tell us about production. We are not holding up society. We do not believe in direct action"—and I believe that that is true of the vast majority of the working classes—'but we are as human as anybody else, and we do not work well, any more than anybody else, unless we work with a will; and we cannot work with a will unless the conditions of our work are fair and satisfactory." Let us look that statement honestly and fearlessly in the face and examine it and see what there is in it. We must examine it in no spirit of challenge, in no spirit of resentment, but in a spirit of justice and fair-play and in the new spirit of comradeship which has been created by the War—that spirit of comradeship which arose from a common sacrifice. Let us examine the claims, the grievances, and the complaints of Labour, not merely anew, but in a new spirit. Until that is done I do not believe we shall get a real answer to the problem of production. I make the appeal, not merely to employers, but to Labour. I ask the employers to examine the claims of Labour in that new spirit, but I ask Labour to press their claims in the same spirit. Then, I think, an understanding will be arrived at. Let us demonstrate to the world once more that Britain, beyond all lands, has the traditional power of reaching a solution of her most baffling problems without resorting to anarchy, but merely by appeal to the common-sense of most and in a spirit of fair-play.

INCREASED WAGES—REDUCED HOURS.

What are the complaints of Labour? I might almost say, with regard to some of them, what were the complaints of Labour? The first is that the hours were too long for the human frame to endure,

or that they were inadequate to provide leisure to enjoy the amenities or acquire the refinements of life. The second complaint was that the wages were insufficient in a multitude of cases to sustain the strength and vigour of the worker, to maintain the comfort of his home, and to bring up a family worthy, physically and mentally, to become citizens of a great Empire. Let us confess, whatever we have done in the last two or three years to redress these wrongs, that for a generation we did not pay the heed to them we ought to have done. There were too many sweated trades. There were hundreds of thousands of able-bodied men on the 4th August, 1914, who were labouring hard for wages that were a disgrace to the Flag for which they went to fight. There has been a notable advance during the last two or three years as regards hours and wages. The trouble is that suspicions were aroused by delay and temper exasperated. The air of the workshops was thick with it, the machinery was clogged with it, and no lubricant could assist it. There is no doubt that the delays which had occurred detracted from the value of the concessions when they came. A good sound piece of advice to men of business and statesmen is, beware of arrears. Still, Labour within the last two or three years has made enormous gains. On an average the wages have more than doubled, and the hours of labour have been diminished to forty-four or forty-eight a week.

If there had been purely the increase in the wage without the diminution in the hours, I agree that Labour would practically be exactly where it was at the beginning of the War. But what is earned by the hour now is considerably higher. What Labour is doing at this moment is converting these extra hours into overtime, so that the actual wage they are earning is considerably more than double what it was at the beginning of the War. These reductions in hours and these increases in wages will be impossible to maintain if production remains at its present level. That is obvious. The War taught military men that it was easier to capture a position than to retain it. That is a lesson for Labour. They have captured much more advanced positions than they have ever held before. And I do not suggest that the last word has been said about hours or about wages.

INDUSTRIAL CO-OPERATION.

There has been an Industrial Council set up of representative employers and representative workmen who have been sitting for months examining together all these various problems, and I am very glad to say that they have reached a very fair measure of agreement upon two or three of them. Among others, they have reached an agreement upon hours and wages. A measure has been prepared and introduced by the Minister of Labour to deal with both hours and wages. It represents the agreement arrived at between employers and workmen on this important Council. They have taken weeks, I might even say months, to consider it. They have examined it in every detail. In substance it means the declaration of a forty-eight hour week for all the industries of the country, with two or three exceptions—domestic and outdoor servants except where employed for

the purpose of gain, masters and crew of sea-going ships, and persons employed in agriculture. That is for reasons which are perfectly obvious. It also provides for a living wage for those engaged in industry. These measures are, I think, the most important measures dealing with Labour problems which have ever been submitted to the judgment of Parliament. An opportunity will be given during the Vacation for employers and workmen to examine them thoroughly, and by the time the House resumes they will be in a position to give their opinion upon the provisions.

HUMANISING INDUSTRY.

What more ought to be done? Steps ought to be taken to humanise industry by the improvement of the conditions in the workshops. I am not sure that we are as advanced as even many of the workshops in Germany in this respect. We must secure the co-operation of Labour in industry, and make the workmen feel that they have an interest in the industry. You cannot manage finance and the commercial side of industry by a committee. But, apart from that, there are two aspects of the question which deserve further consideration. The co-operation of workmen ought to be secured to a larger degree on the industrial side—the conditions under which the industry is carried on—which means not merely wages and hours, but a multitude of other matters which affect the comfort and efficiency of the workmen. The Committees with which the name of the Deputy Speaker will always be honourably associated, represent a great advance in this respect. National Committees—Whitley Committees, if I may use the phrase—have already been set up in industries representing something like 2,250,000 workmen. Unfortunately, the local committees, the district committees, and the works committees have not yet been set up. I could have wished it had been possible to begin at the bottom and work up to the top, rather than to begin at the top and work down to the bottom, because until that co-operation is secured in the works themselves, I do not think Mr. Whitley's aim will ever be achieved.

The second point is that it will be desirable, if possible, to give workers a more real financial interest in the success of the industry. Unfortunately, owing not to the merits of the proposal, but rather to the circumstances under which it was adopted, profit-sharing has been discredited in trade union circles, and it is very difficult to get back upon an old suspicion. I wish that the problem of securing an interest for the worker in the business could be considered anew apart from these prejudices. It must be clear that it is not to be used as a weapon to fight trade unions.

PROFIT-SHARING.

There have been many suggestions. One is that the workers should have an interest in the increase of output. With regard to these two problems, the problem of co-operation of the worker in the conditions of the industry and the problem of giving the worker a more direct financial interest in making the industry a success, I wish

that employers and workmen would once more, meeting together, discussing the thing together with such aid as a Government Department can give in the circumstances, make another real effort to secure the joint action—I dislike using the term joint partnership—of the worker and the employer in seeing that the industry upon the success of which both of them depend, and upon the success of which the whole life of the community depends, is made one which will bring prosperity to themselves and to all classes of the nation. Until we secure greater co-operation and a greater feeling in the breast of the worker that the prosperity of the industry is something which concerns him, it will be difficult to induce him to regard with the same sympathy appeals for an increase in the production of a particular trade.

THE NIGHTMARE OF THE WORKERS' LIFE.

The other branch of this problem to which we have given consideration is that of unemployment. Unemployment, I am afraid, is as inevitable as bad seasons, and it is the nightmare of every worker's life. When it comes, large numbers pass immediately from comparative plenty to penury. When that time comes, the worker should not be left to the humiliating expedient of soup tickets, which reveal the extent of the suffering without sensibly alleviating it. We have already established unemployment benefit for certain precarious trades, and we recently extended the application of its provisions. But the amount is hopelessly inadequate, and the trades which it covers are only a percentage of the industry. The industry of the country as a whole ought to protect its workers against the prospect of this terrible calamity. There are many ways of dealing with it. There is the way in which it is dealt with in the cotton industry which, whenever there is a bad time coming, makes arrangements for short time in order to avoid dismissals. But if dismissals come, men who are prepared to work ought not to suffer starvation, and there must be an allowance. Until something is done I am afraid it is idle to go to the workers and try to convince them of the fallacy of the doctrine that less work means more employment. Fear is fatal to reason, and you must remove that apprehension in the mind of the worker before you can convince him of the danger of the course to which many are endeavouring to entice him at present.

I am sorry that up to the present on this subject of unemployment, we have failed to secure agreement amongst the members of the Joint Committee of the National Industrial Conference. I am not sure that the division is one between employer and employed. It is rather a difficulty of trades. I am not persuaded that we can succeed in getting agreement. It is a question of workers in trades where unemployment is comparatively small helping the workers in trades where unemployment is a larger element. It is an appeal to the solidarity of Labour, and that is an appeal that certainly ought not to fall on deaf ears. It may be the duty of the Government, in the event of complete failure of agreement among the industries, to put forward proposals in the name of the whole community.

REFORMS ACCOMPLISHED.

With regard to improvements in the social conditions of labour generally, Parliament this year has been busy and has passed a Housing Act, an Act for the purchase and acquisition of land; it has passed Acts of Parliament to enable those who are setting up houses also to provide transit for the worker to and from his work. One of the difficulties of providing houses is that you have no sites in the cities. You have, therefore, to take the worker out into the country if you are going to get houses fit for his accommodation. In order to do that, you must have some means of carrying him back and forward from his work, and I trust the combination of the Housing Act, the Land Acquisition Act, and the Ways and Communication Act will have the effect of solving this problem, and I shall be very surprised if, when the House meets, we shall not be able to report, in spite of the fact that these Bills have only just become Acts of Parliament, very substantial progress on the lines of providing housing accommodation for the working classes of this country.

COAL MINING INDUSTRY.

At the beginning of the year we were threatened with a great industrial upheaval in the mines, an upheaval which would have seriously retarded the re-establishment of industry, and the Government invited the House of Commons to appoint a Commission, presided over by a very able judge, to investigate the subject in dispute. There were two separate classes of subjects referred to this Commission. One was an immediate question—the hours of labour. The others were great questions of policy relating to the conditions of the industry and the best method of working it, its organisation, questions of waste in the present system, the social conditions under which the miners live, nationalisation of minerals, State ownership and management of mines, and co-operation of the workers in the control of the industry. These were gigantic questions of policy. Some people seem to assume that when a Government appoints a Commission it is in honour bound to accept all its recommendations and to put them into operation. I never heard of that doctrine in the whole history of the House of Commons. There have been multitudes of questions referred to Royal Commissions. There have been some whose recommendations have been legislated upon and many which have not. But even taking those where Government and Parliament immediately took action it has never been suggested that any legislature was bound to take every recommendation exactly in the form in which it was made.

I introduced the Coal Commission Bill, and I was present when it went through. I have looked through all the speeches I have made on the subject, and I never uttered a syllable which would commit the Government, and certainly not Parliament, which I had no right to do, to accept any recommendation made by the Royal Commission upon every subject which was referred to it. I said the Government would give respectful consideration and attach due weight to everything the Commission reported, and that I have done. There are certain questions which you can refer to arbitration—questions of wages and

of hours of labour—and the Government treated the Sankey Commission as practically the arbitrator in respect of the questions of hours and of wages. But when it came to a great question of policy, that was a totally different matter. That would have been an abrogation of the functions of Parliament and of Government. I have a high opinion of the capacity of the Chairman of the Commission, and I deeply deprecate any attacks which have been made on him. He is one of the ablest and most highly respected judges on the Bench. His task was very invidious and difficult, and I think he deserves the gratitude of the State for the trouble he took. But there were one or two incidents in the proceedings which I am bound to say detract a good deal from confidence in the findings of that Commission. Take one, which I think is unprecedented. Two of its members left the seat of judgment to go into the witness box.

It is difficult to treat with respect decisions arrived at by Commissioners who take that view of their functions. They were there to deliberate upon very vital matters. They were supposed to reserve judgment, whatever their preconceived opinions were, until they had heard the whole of the evidence. What happens? They go into the witness box and express an opinion. It is a most regrettable incident.

MINING ROYALTIES.

The Government have given a good deal of attention to the Report and to the evidence of this Commission, and I propose to state the conclusions at which we have arrived, and what we are prepared to recommend, and the proposals we are prepared to make in respect of them when the House of Commons reassembles. The Government accepts the policy of State purchase of mineral rights in coal, on which subject all the Reports of the Royal Commission were perfectly unanimous. The Government have been deeply impressed by the evidence which has been tendered to the Commission with respect to the unsatisfactory social conditions under which the miners have been compelled to carry on their industry in some parts of the country. They hold that a reasonable standard of living should be secured to the miners and their families; that the deplorable housing conditions that prevail in some of the coalfields of the country should be remedied as rapidly as possible, and that every effort should be made to improve the comfort and amenities of the miners and their families.

We propose that a fund should be raised for that particular purpose. If mining royalties continue we feel that they ought to contribute towards the well-being of those who work them, and those who risk their lives in working them, and, as the Government propose to purchase mining royalties, it feels that the mineral wealth of the country ought not to shirk its responsibility for the welfare of the people upon whose work its utility depends. We propose that there should be a deduction made out of the purchase value for the purpose of creating a fund to improve the social conditions and the conditions of life among the miners of the country. That is not an empty proposal. It is a substantial contribution. It is proposed that schemes should be submitted for the social improvement of the mining areas. These

schemes can be considered by those who administer the fund, and the fund can be distributed for that purpose. In Scotland the mining royalties are subject to local and county rates. To that extent they have made their contribution. In this country they have not, and an account will be taken of the difference between the conditions in the two countries in that respect. We will submit the actual amount to the House. I am dealing with the general scheme now, but the actual figures I am not prepared to give at the moment. It will, however, be a substantial fund for the purpose.

THE QUESTION OF NATIONALISATION.

Now I come to the question of the future working of the mines. The Leader of the House stated on behalf of the Government—I am not giving the actual words, but they are on record—that the Government accepted in the letter and the spirit the Interim Report of Mr. Justice Sankey's Commission. In that Report there is a recommendation in favour of the unification and reorganisation of the industry. In his Final Report Mr. Justice Sankey proceeded with his interpretation of that principle. We accept the principle, but we cannot accept Mr. Justice Sankey's final interpretation. His scheme for carrying that out we cannot accept. He has a proposal for State purchase and State working of the mines. He bases his recommendation solely on the expectation that it will produce greater harmony between employer and worker in the mines. He does not recommend it, apart from that, as a business proposition. He does not say "The mines will be better worked." Apart from the question of unification and reorganisation he bases it entirely upon the expectation that there will be increased harmony between employer and worker in the mines. But two or three things have happened since Mr. Justice Sankey penned that Report which I think would have induced him to change his mind if he had had them before his mind at the time. In his Report he recommends also a scheme to avert strikes, and that is as essential a part of his proposal as his proposal for the purchase and working of the mines by the State. What is the scheme? It was not a scheme to deprive the miners of the right to strike. It is simply a scheme to provide that they shall not strike until there is inquiry by the various councils set up under the nationalising scheme. The miners in their report are prepared to accept the nationalisation proposal, but they cannot accept the proposal to avert strikes.

THE YORKSHIRE STRIKE.

I am dealing here with the Report of the miners' representatives on the Coal Commission, and they did not accept the scheme which Mr. Justice Sankey regarded as the basis of his recommendation. Now I come to my second reason. Since then we have had the Yorkshire strike. What is the theory of those who say that nationalisation will promote harmony? It is the theory that while they would ask the worker to strike against the employer who is making profit he will not strike against the State, which has only the common interest

of all to look after. But there was the Yorkshire strike. The Yorkshire strike was a direct strike against the Government. It was a strike because the Government said they would only pay a certain percentage. We were told that if we had left it to be settled between the miners and their employers it would have been all right. The Government intervened to protect the taxpayer and the consumer. The Yorkshire miners struck against the State. Where is the promotion of harmony if you have State control and State ownership so long as that is the case?

One of the hon. Members for Scotland was speaking at a meeting of the National Union of Scottish Miners. I ask special attention to what he said. It is a speech delivered before the question is settled.

> "If the mines become the property of the nation, the miners would need to be more determined than ever on their policy, and more vigorous in their trade union organisation, because, instead of fighting local employers they would be fighting the Government. Previously the Government had been more or less secretly behind the employers, but nationalisation would bring them out into the open, and the miners would have to organise both politically and industrially to maintain the position in whatever fight they were engaged with the Government."

Harmony! I am told that he is the political organiser of the Scottish Miners' Federation. He was speaking at a miners' meeting, as far as I can see without protest, and this is the interpretation of someone who is a miners' representative, I believe. He said, "So far from there being fewer fights, we will have more fights than ever. We shall want more organisation in order to conduct them, because we are fighting a Government."

NATIONALISATION OF MINES NOT PROPOSED.

With speeches of this kind made and the trouble we are getting with regard to railways, I am afraid that whatever we propose with regard to nationalisation of the mines would not promote harmony, and therefore I think that the whole basis and the whole reason which induced Mr. Justice Sankey to make that recommendation is one which has been falsified by the events of the last few weeks. Now, I am asked, "What about control?" We have accepted the principle of unification and reorganisation. We think and I think that the mine-owners realise, that there is a very great deal of waste which is due to the fact that you have a large number of different enterprises running in the same area under different management. There is waste of power, of management, and in distribution.

MINERS AS DIRECTORS.

A case, undoubtedly, has also been made out for giving the miners a greater interest and voice in the working conditions which affect the industry. We therefore make this recommendation:—

> "That in view of the fact that the lives and livelihood of the miners depend upon the way in which the mines are worked, means should be devised for securing their co-operation in the shaping of the general conditions of the industry without interfering with the executive control of the individual mines."

Now I come to the recommendations with regard to unification:—

> "That the industry should be so organised as to reduce to a minimum the expenses of management and working charges, and that with this end in view the country should be divided into convenient areas in each of which an amalgamation of neighbouring mines should be undertaken within a limited period, say two years. That the workers in and about the mines should have directors representing them on the body controlling the policy of the area groups to which they belong."

Here is a condition put in for the protection of the consumer, to prevent inflation of capital, over-capitalisation:—

> "The schemes of amalgamation should be subject to the approval of the Government and must conform to any conditions laid down by the Government for the protection of the general body of coal consumers."

The Government propose to prepare a scheme on the above lines, and will submit it to Parliament with the least possible delay.

TRADE POLICY.

I have to say something about trade policy. Here again I have to recall the conditions under which we are operating. I must ask every Member of the House, and all who are outside, to try to forget pre-1914, and just to think of the conditions as they are to-day, and to think of what remedy you are going to apply to those conditions. The conditions may be merely temporary, but for the moment they are dominant; they dominate the immediate future, and may do so for some time to come. I have already summarised these conditions. Our international trade is in peril, and our home trade is depressed by reduction of output and the increased cost of production. Imports of manufactured goods from abroad have not counted; there is no immediate prospect of their coming. Germany is crippled. She has been deprived of her iron and coal, and whatever troubles may be in this country they are not comparable to those under which Germany is labouring. When you come to the United States, which would be a formidable competitor, the mere fact that the exchange is against us is in itself a protection against the import of manufactured goods. If the exchange is down to 17*s.*, that is equivalent to something like a 15 per cent. tariff against the imports of any goods from the United States. More than that, the freights at the present moment are very high, and I cannot see any prospect of their coming down to anything approximating to pre-war rates, and although you have a great disparity between the cost of production of an article in the United States of America and the cost at which it could be produced here, when you work out the exchange and add to that the cost of bringing the goods over, you will find you have no profit for the United States manufacturer.

You cannot possibly exclude things altogether, but the mere fact that rails have been delivered in Glasgow and in London under present

conditions, when we have the power of prohibiting them altogether, shows that they were actually needed by the trade. There is complete prohibition except with the consent of the Board of Trade. I can give other cases. For instance, pig-iron. We are at present so short of pig-iron that there is not enough to employ our steel furnaces. What is the result? We are begging for pig-iron from Lorraine. If there were any real competition, you have got at the present moment in the exchange and in the freights the highest protective tariffs that have ever been proposed in this country; in fact, very much higher than any ever proposed.

These are the salient facts of the present situation. They may change; they may change soon. I can see no prospect of their changing. When there is a change in the conditions I hope this Parliament will be bold enough to provide a remedy that will be applicable to the conditions for the time. We have, therefore, decided that the interim trade policy of import restrictions should come definitely to an end on 1st September. They were retained to shield during the time of the demobilisation and during the time we were changing from war conditions to peace conditions. There is no further justification for them, and the only result of keeping them after 1st September would be to put up prices artificially, and they are too high already.

DEFENCE OF ESSENTIAL INDUSTRIES.

I now come to the provisions which we have to make to defend the industry of this country against unfair competition, or against competition which might destroy certain essential industries that could not be maintained in face of open competition. There will be the obstacles in the way of imports which come from low exchanges and high freights. I am afraid they will remain for some time. We have decided that we cannot put on artificial restrictions; it is not good business. It is better that we come down to the realities and let the nation face them. It may have the effect for some time of putting up the price of food and of putting up the price of raw materials, especially those that come from America. That is the result of under-production, and it is right that that should be brought home to everybody in the land; otherwise, we will never cure it. Therefore, the Government propose to abandon the support of exchanges, except in so far as some support may for a time be necessary to prevent complete collapse of any important exchanges. It may lead to a further fall in the American exchange until our output increases, but that will in itself raise a barrier, a higher wall, against American imports. The Government has three other proposals to deal with the shielding of our industry under exceptional conditions.

ANTI-DUMPING.

In the first place, there is a condition called dumping. What is dumping? I am giving now, not a legal definition, but only my view of what would be a dumping operation. Dumping is the exporting to this country of goods from a foreign land under the cost—

beneath the price at which they are sold in their own country. There could be only one object in doing that, and that is to make war upon a particular industry in our country. That is unfair. This country, provided we face our difficulties like men—we have always done it in the past, and I have no reason to think we are at the end of British courage—has nothing to fear from fair competition from any country, but I do not think that our industries ought to be subjected to what is unfair competition and what is organised warfare upon them in an unfair way. That is what dumping, according to the definition which I have laid down, really means. It is true that certain industries may for the time being get great advantage out of it, but they are getting that advantage at the expense of neighbours who are carrying on an honest trade which is essential to the life and business of the country, and I do not think that is fair. And, in the interests of fairness, as well as in the interests of British industry as a whole, the Government has decided to submit to Parliament proposals which will effectively deal with dumping in the sense in which I have defined it.

FLUCTUATIONS OF EXCHANGE.

There is another problem with which we have to deal. It is an emergency problem. I believe it is a temporary one. It has arisen entirely out of the War. It is something that was not contemplated before the War, and in none of the controversies about trade, as far as I can recall them, was there any reference to it. It is the possibility that may arise from the vagaries and fluctuation of exchange. The American market is against us. The German market is simply extravagantly in our favour. The sovereign to-day fetches 82 marks, where before the War it fetched 20. If goods were sold to Germany at a price which only approximately corresponded to the nominal value of the mark, it is obvious we could not possibly stand up against what would be a gigantic bonus upon the export from this country of all kinds of commodities. That would be unfair to our industry. You might say we should be making money. Somebody would. Meanwhile the industries that were hurt by this eruption of goods at an abnormally low rate would be thrown out of employment. It is all very well to say that they should stand by until the tide has passed. They could not do it. It might pass on to something else. It is clear that no operation could possibly bridge that chasm, and therefore there must be better means of preventing the possibilities of such an emergency arising. We shall therefore propose that the Board of Trade be equipped with emergency powers to check a sudden and undue importation of goods at prices altogether below the cost of production here owing to the collapse of exchanges. That is an emergency measure dealing with conditions which have arisen since the War, and which may, I hope, soon pass away.

SHIELDING UNSTABLE KEY INDUSTRIES.

I come now to the third proposal, and that is the shielding of unstable key industries. What does an unstable key industry mean?

I will give four tests, none of which, I think, hon. members will challenge. The first is this, whether the industry was revealed to be essential for war or the maintenance of the country during the War? The second is this, whether during the War it was discovered that that industry had been so neglected that there was an inadequate supply of goods produced in the industry for the purpose of equipping ourselves for the essential task of war? The third is, whether it was found necessary for the Government to take special steps to promote and foster that industry during the War? The fourth is, whether if that special Government support were withdrawn these industries could maintain themselves at the level of production which war has shown to be essential to the national life? The War is the test. I hope there will be no more war, but it would be folly to assume that human nature will never give way to passion again. Those are the four tests which we will apply to the key industries. The two best illustrations, although they are not comprehensive, are synthetic dyes and optical glasses and lenses. They may represent a small percentage of the whole industry of the country, but their importance is quite out of proportion to their quantity. It is proposed that the Board of Trade shall have power to prohibit the import of these goods except under licence, and to prevent excessive imports a fee will be charged for the licence. It may even be necessary for some time to continue the assistance given to these industries, but care will be taken that no undue profits shall be made at the expense of the community.

Other parts of our trade policy are connected with technical instruction in the promotion of industrial research and invention, with the organisation of the electrical power of the country; and with the control and development of water power.

FOSTERING IMPERIAL TRADE.

I must now say a word about the fostering of our Imperial trade. That is important, not merely from the point of view of increasing our trade, but from the even more important view of the strengthening of the unity of the Empire. Civilisation was saved by the British Empire in the last War. I have had several consultations with the Premiers and Ministers of self-governing Dominions, and they all attach the greatest importance to the fostering of Imperial trade by means of improving the communication between the Dominions and the Mother Country, and between India and the Mother Country. When I was President of the Board of Trade I ventured to put forward certain proposals upon those lines. Now I am glad to say that every Dominion is pressing for the improvement of transport relations with the Mother Country, improvement chiefly in the quickening of transport, and an Imperial Investigation Board has been constantly representing British and Dominion Governments, and representing also commercial interests, with a view to carrying out schemes that will improve and increase the trade between the Dominions and India and the Mother Country by means of improving the communications between the various parts of the Empire.

CREDITS TO CONTINENTAL COUNTRIES.

We have also proposals with regard to the restoration of trade with the disorganised part of Europe. Europe was a good customer of Britain. We used to sell £180,000,000 worth of our goods to Europe, but the greater part of Europe is disorganised, and for some time, unless special steps are taken, we shall be unable to resume our trade relations with some of our important customers on the Continent of Europe. I am not referring to France or to Italy, or even to Russia; I am referring to countries like Serbia, Roumania, Poland, and parts of Austria. There are no credits established at the present moment, and although we have gigantic demands coming from these countries you cannot sell; there is no confidence. They are rich countries intrinsically, and the Government has adopted a scheme of furnishing credits to the extent of £26,000,000 as a guarantee against risks or absolute loss. We hope as a result of the institution of these credits to those countries that a beginning will be made to restore trade, because those countries have a good deal to sell, and all you want to do is to have a beginning of business, and once it begins the natural course of exchange will enable you to go on, and I venture to predict that on the credits we establish we shall not lose a perceptible amount, while the benefit to the trade of the country will be enormous. I hope the banking houses will be encouraged to play a large part in what is wanted to be done.

THE FUTURE OF AGRICULTURE.

Agriculture is a vital industry—it is, after all, the greatest industry in this country—and it is quite impossible to make a survey of the trade and industry of the country and leave agriculture out of the reckoning. But I have promised at an early date to address a meeting directly connected with the agricultural industry. All I can say at the present moment is this. As the time is so short before the farmers of the country have to make up their minds whether they are to go on with the schemes of cultivation, a Commission is sitting to examine and report as to what would be the minimum prices which would be fixed for the purchase of the crops next year.

Agriculture is in the enviable position of being the only industry that has increased its output in this country while so many have fallen behind. I hope to submit to the agriculturists of this country on behalf of the Government schemes which will restore agriculture to the position it was in forty or fifty years ago, when there were four or five million more acres under cultivation than now, and will put us in the position which Germany was in, where Germany produced food on a hundred acres to feed seventy-five persons, whereas in the United Kingdom it feeds only forty persons. And that is a condition of things which ought not to exist.

THE QUESTION OF FINANCE.

On the important question of finance there has been a good deal of wild talk mixed with much sound sense. But that is true of every

topic, and finance is no exception. Here again we must face the facts. It is the only sound foundation for any reform. What are the facts? There are, first of all, what I may call the temporary financial conditions. What are they? This year, although we have demobilised millions of men, you could not reduce your Army and your Navy to their normal size until Peace had been signed with all the belligerents. We could not have signed the Peace with Germany one hour sooner than we did, but it has not yet been ratified. I hope that Peace will be ratified about the beginning of September. Until Peace is signed it would have been a piece of idle recklessness on the part of the great victorious countries to withdraw the troops to such an extent as not to give them an overpowering force in the event of Peace being rejected.

The Peace with Austria has not been signed. The Peace with Bulgaria has not been signed, and what is more important from our point of view, the Peace with Turkey has not been signed. The Peace with Turkey has not been signed, not because of any delay on our part, but because we are waiting for the decision of America. We want to know whether America is prepared to take her share of guaranteeing protection for peoples who, if they are not protected, will be subjected to torture, misgovernment, and massacre. We have not yet had our answer, and until the answer comes you cannot formulate your peace with Turkey. As soon as it comes we shall have to adjust the settlement to the answer which America gives, but meanwhile who is to occupy these countries? Therefore, when it is expected that you should cut down Army and Navy expenditure to normal, I want those who urge us to do that to bear in mind that there are vital British interests involved. There is no part of the world with which Britain is more intimately concerned than in the settlement of Turkey. The future of the Empire depends upon the settlement of Turkey.

APPEALS TO GREAT BRITAIN.

We have been urged to withdraw troops, and it is said that the withdrawal of troops and demobilisation are the only methods to secure immediate reduction, but the other day I was amazed to get a letter from the International Labour Conference, sitting at Lucerne, and representing Socialists of all ranks. What was the quest? Was it that we should demobilise? Was it that we should reduce our armaments? Was it that we should clear out from countries which were not our own and leave those peoples to self-determination? Not at all. It was a resolution angrily complaining that British troops were withdrawing from the Caucasus. We have a division and a half there, and it is costing us millions. Speaking roughly, I should not be a bit surprised if it costs us about £30,000,000 a year, with shipping and everything else. America appeals to us not to withdraw, the International Socialists appeal to us not to withdraw, and, if that is not sufficient, I am proud of this fact, that the inhabitants beg the British soldiers not to withdraw. There is no prouder appeal ever addressed to any land than the appeal which asks the British soldier to remain there to shield them. It is almost worth the money. But at the same time how can we demobilise? The

same appeal comes from Syria—"Do not go away." But we cannot until these questions are settled reduce the expenditure to normal. Let me give the House other reasons. We have got to wind up; we have got to keep a certain Army in France; we have 400,000 prisoners, whom we cannot restore till Peace is ratified. We cannot restore them till we know that other terms are going to be conformed with. There are conditions of that kind. You cannot, the moment the War is over, suddenly say to everybody, "Go home." It is no use fighting a great war for four or five years unless you see the job right through.

REDUCTION IN ARMAMENTS.

But it is the permanent conditions that mostly concern us and the interests of this country. What is the permanent charge going to be? There are certain things you cannot reduce. You must pay interest on debt and sinking fund on your debt, and you must pay pensions. You cannot cut down education—that would not be a very good reduction. There is only one direction in which you can effect considerable reductions, and that is in your armaments. What does that mean? The conditions undoubtedly favour it. The great menace in Europe has gone. Who else is to keep great armies? It is in that spirit we are prosecuting our examination into the Army Estimates, and I think we can effect considerable reductions, but the House must always remember that reductions in armaments will not mean reduction in the cost of armaments. The pay is trebled, the cost of material is doubled, and although you may effect considerable reductions in your armaments, the cost of your armaments will be up whatever you do, as compared, I mean, with the pre-war period. Those are the fundamental facts that you have got to bear in mind. I have another thing which I want to say. Everybody cries economy, and economy in the abstract evokes general appreciation, but economies in the concrete provoke universal dissatisfaction. "Why don't you economise?" it is said. If you economise on the Army the friends of the Army say, "Why don't you take the Navy?" If you start with the Navy, they say the Army should be reduced, and even when they agree with economy in the Navy they say, "Why do you take those ships?" You never can satisfy everybody. Everybody is pleased with economy in the singular, but everybody is in revolt against economies in the plural. We shall put our proposals before the House, and I hope soon after we meet.

SUPPORT THE LEAGUE OF NATIONS.

There is one thing that matters in economy, and it is this, that the great nations that promoted the League of Nations should show their confidence in it and trust it. If those who promoted it increase their armaments, it is a sham. It will remain a sham. It will be a scrap of paper. Those who believe in it most must trust it most, and the rest will follow. That is the fundamental first condition of real economy in armaments in the world. Britain is ready. Let all other nations do likewise.

SERVICES OF BUSINESS MEN.

You do not get economy by abusing Government Departments and Government officials and by abusing those volunteers who have given their time to Government work. I am bound to say this. They have all done well. There has been a great attack upon them, as if they had been extravagant, especially the business men, without whose assistance the War could not have been won. I will give one or two illustrations, because I think this is vital. My experience was in the Ministry of Munitions. What was the first step they took? To reduce the cost of manufacture—shells, machine guns, guns, rifles. The 18-pounder when the Ministry was started cost 22*s.* 6*d.* a shell. A system of costing and investigation was introduced, and National Factories were set up which checked the prices, and a shell for which the War Office at the time the Ministry was formed paid 22*s.* 6*d.*, was reduced to 12*s.*, and when you had 85,000,000 of shells that saved £35,000,000. There was a reduction in the prices of all other shells, and there was a reduction in the Lewis guns. When we took them in hand they cost £165, and we reduced them to £35 each. There was a saving of £14,000,000 there, and through the costing system and the checking of the National Factories we set up, before the end of the War there was a saving of £440,000,000.

When the National Projectile Factories were afterwards set up, we effected a further reduction of 10 per cent. Take the Ministry of Shipping. By its organisation, by its reduction of rates, the Controller of Shipping saved hundreds of millions to this country. When you have to spend between £8,000,000,000 and £10,000,000,000 of this country's money, when you improvise great organisations, find your men where you can, find thousands and more of absolutely new men to work out these schemes, of course there will be extravagance, of course there may be errors of judgment. Is there any business in this country which is run without mistakes and errors of judgment? Of course there is not. But whatever is said except about these little mistakes? I have seen the reports of Parliamentary Committees. They are about comparatively small sums—I mean comparative to the gigantic expenditure. Those are advertised; those are flaunted. Leading articles are written about them. Never a word about these hundreds of millions that have been saved by these men! There is no generosity in spearing supermen, who saved hundreds of millions to this country at moments of emergency, and gave their time and energy to the service of the State when they were most needed.

A WARNING AND AN APPEAL.

The condition of the nation is grave at the moment. It can be redeemed by effort. We are suffering enormously from under-production and over-consumption. We are not living as a nation within our means. We must ruthlessly cut down all needless expenditure, public and private, and must increase production by every legitimate endeavour. With production, we get prosperity; without it we starve. To ensure production, the goodwill of all engaged in the task of production is essential. With that goodwill every reasonable cause of complaint must be removed. Confidence must be

restored—the confidence of the workman in his employer—yea, the confidence of the employer in the workman, and the confidence of both. Then their business will be conducted under conditions of fairness. That is our problem, and there is the solution. With effort, with endeavour, the prospects are good. The nations are thirsting for goods. They have gone without them for four or five years of the War, and they are anxious that we should put them on their markets. We must settle down to our daily tasks. Let Europe settle down. Europe is suffering in exactly the same way, only worse. It is tossed about and troubled, and unable to resume its task. It is just like those who live on the seaside, especially on the Western shores, where the sea, after a prolonged period of tempestuous weather, cannot settle down. Then you have continuous waves rolling in from all directions and every direction, thrashing each other—helpless, restless confusion. Navigation is difficult and dangerous under those conditions. Some seek help. Some lie prostrate and weary. Some try to upset the boat, either because they dislike the steersman or want to steer themselves, or because they prefer some crazy craft of their own. With a clear eye, a steady hand, and a willing heart, we will row through into calmer and bluer waters. But we must know where we are rowing. The Government have done their best to give a direction. Let all who will, man the boats and save the nation.

SUMMARY OF THE SPEECH.

COMPLETE PROPOSALS IN BRIEF.

On 22nd August Mr. Lloyd George issued the following summary of the proposals and decisions of the Government. It includes one or two proposals to which the Premier had not time to refer in his speech.

A.—LABOUR.

1. Wages and Hours.—A Bill has just been introduced dealing with hours and wages based upon recommendations of the Joint Committee of the National Industrial Conference. The principles of this Bill are (*a*) the establishment of a national maximum working week of 48 hours, except in certain industries with special conditions, such as agriculture, the Merchant Marine, domestic and outdoor service; (*b*) the establishment of a living wage throughout industry.

2. Conditions of Work, Sharing in Profits, and Unemployment.—There are three aims which the Government are anxious to see achieved, viz :

(*a*) The promotion of a larger degree of co-operation between workmen and employers in the determination of working conditions, and in this connection the development of the system of Whitley Committees.
(*b*) Securing to the workers more generally a financial interest in the success of the industry in which they work.
(*c*) Adequate provision for and satisfactory arrangements regarding unemployment.

The Government would prefer to deal with the question of unemployment on the basis of agreed recommendations by the Joint Committee of the National Industrial Conference, who have so far failed to agree on any proposals. Failing such agreement, it may become the duty of the Government to put forward proposals in the name of the whole community.

3. Housing.—Three Acts passed by the present Parliament, the Housing Act, the Land Acquisition Act, and the Ministry of Transport Act, will in combination provide the means of dealing with the problem of housing along proper lines, by the creation of houses outside congested cities, and the provision of transport facilities to bring the workers to and from their work.

B.—COAL MINES.

4. State Purchase of Mineral Rights.—The Government accept the policy of State Purchase of Mineral Rights in Coal, on which the reports of the Coal Commission (Second Stage) are unanimous As part of the scheme for the purchase of these rights a levy will be made upon the compensation to be paid. The proceeds of this levy will form a fund for the amelioration of the social conditions of miners. In the case of Scotland account will be taken of the fact that a Rate Levy on receipts of mineral values exists in that country.

5. Fund for Amelioration of Social Conditions of Miners.—The Government have been deeply impressed by the evidence which has been tendered to the Coal Commission with respect to the unsatisfactory social conditions under which, in some parts of the country, miners are compelled to carry on their industry. A reasonable standard of living should be secured to the miners and their families: the deplorable housing conditions now prevailing in some of the coalfields of the country must be remedied without delay; and every effort must be made to improve the comfort and amenities of the industry. Consequently the fund to which allusion has been made will enable these defects to be repaired on a comprehensive plan.

6. Co-operation with Labour in Determining Working Conditions.—In view of the facts that the lives and livelihood of the miners depend on the way in which the mines are worked, means have to be devised for securing their co-operation in the shaping of the general conditions of the industry without interfering with the executive control of individual mines.

7. Organisation of the Industry.—The Government, after careful examination of all the reports of the Coal Commission and the evidence given before it, have come to the conclusion that they would not be justified in undertaking the State purchase and State management of collieries; and, apart from any question of the desirability or otherwise of the nationalisation of the coal mines, the financial burden on the country, having regard to other essential obligations on the State, is in itself such as to preclude its adoption.

In the national interest, however, the industry will have to be so organised as to reduce to a minimum the expenses of management and working charges. With this end in view the country will be divided into convenient areas, in each of which an amalgamation of neighbouring mines will be undertaken within a limited period, subject to the condition that the Government have power to veto or modify any scheme of amalgamation which is detrimental to the public interest, as also to protect the general body of consumers from possible exploitation by the coal industry.

Any scheme of reorganisation would be defective which failed to furnish coal in such quantities and at such a cost as to enable the export trade of the country to be maintained and extended.

8. Representation of Labour on Area Boards.—The Government propose that all workers in and about the mines should have a direct voice on the Board controlling the policy of the Area Group of coal mines. Further, the status of each representative of the workers on the Board shall be in all respects equal to that of the other members.

9. Provision of Opportunities.—The industry, both on its industrial and its educational side, should be so organised as to offer a

free career to talent, and to give to every member concerned in it, in whatever grade of employment, opportunites of improving his abilities and his position.

10. Committee on Output.—In accordance with the unanimous recommendation of the Coal Commission, a Committee will immediately be set up to inquire into the diminution of output in the coal mines.

The Government propose to prepare a scheme on the above lines at once, and submit it to Parliament with the least possible delay.

C.—TRADE POLICY.

11. Import Restrictions.—The interim policy of import restrictions established for the purpose of shielding British industries against foreign competition during the transition period will come definitely to an end on 1st September, existing restrictions being then withdrawn except as indicated below.

12. Foreign Exchanges.—Government support of the exchanges will be abandoned, except in so far as some support may for a time be necessary to prevent complete collapse of any important exchanges.

13. Dumping of Goods of Foreign Origin.—Legislation will be introduced for the protection of goods manufactured in Great Britain and Ireland against dumping. Power will be taken to prevent the sale in this country of similar goods beneath their price in the country of origin.

14. Power to Check any Excessive Influx of Goods Consequent upon a Collapse of Exchange.—The Government will seek emergency powers to enable the Board of Trade to check any flood of imports (for instance, from Germany), that might arise from a collapse of exchange so disproportionate to costs of production in the country of origin as to enable sales to take place in this country at prices altogether below costs of production here.

15. Protection of Unstable "Key" Industries.—The Government will also seek powers from Parliament to prohibit the import except on licence and on payment of a licence fee of the products of key industries which are in an unstable position in this country. Industries which fulfil the following tests will alone be regarded as unstable "key" industries for this purpose:—

(*a*) That the product is essential for war or for the maintenance of the country during war.

(*b*) That the industry had been so neglected before the war that there was an inadequate supply of the product.

(*c*) That the industry is one for the fostering and promotion of which the Government found it necessary to take special steps during the war.

(*d*) That if special Government support were withdrawn the industry could not maintain itself at the level of production essential to the national life.

It is proposed that the fees charged for the issue of licences to import goods produced by such unstable "key" industries will be

fixed with regard in each case to the difference between the price at which the article can be imported and the price at which similar articles can be sold in the United Kingdom. It may be necessary for some years for the Government to continue to assist these industries. Care will be taken that no undue profits shall be made at the expense of the community. Pending the grant by Parliament of the necessary powers to give full effect to this policy, the Government intend to continue the existing import restrictions which affect industries qualified to be regarded as unstable key industries. These will be scheduled, and the schedule published at an early date.

16. Technical Instruction and Research.—Steps will be taken to increase efficiency by encouraging and developing technical education both for managers and workpeople. Further efforts will also be made along the general lines already laid down to promote industrial research and invention.

17. Promotion of Increased Output.—Inquiry and propaganda with this end in view will be undertaken.

18. Standardisation.—There is growing recognition of the importance for the future of British Industry of the principle and practice of standardisation, but so far the State has done little It is proposed to set up at the Board of Trade a Department of Standards, (1) to promote and co-ordinate standardisation generally, and (2) to establish and administer such testing institutions as may be found necessary, and authorise and, so far as may be required, supervise the testing work carried out by technical institutions, trade organisations, or private concerns.

19. Power Supply.—The policy of the Government with regard to electric power is embodied in a Bill now before Parliament. During the autumn session another Bill will be submitted dealing with the control and development of water power.

20. Fostering Imperial Trade.—On a resolution of the Imperial War Conference an Imperial Investigation Board is being constituted, representing the British Government and the Dominions, together with shipping and commercial representatives, to inquire into and report on all matters connected with ocean freights and facilities and the development and improvement of the sea communications between different parts of the Empire, with special reference to the size and type of ships and the capacities of harbours.

The Government also aims at developing Imperial supplies. Much work in this direction has been commenced during the war.

21. Export Credits.—Steps are being taken to establish a system of export credits for the purpose of facilitating a resumption of the export trade to disorganised parts of Eastern Europe—*e.g.*, Serbia, Roumania, Poland, and parts of Austria. In case of loss the drawer of the bill is guaranteed to the extent of four-fifths of the difference between the proceeds of the bill and the prime cost, plus freight, plus insurance (including the charge made by the office). Credits will be furnished to the extent of £26,000,000 in the aggregate.

22. PROMOTION OF EXPORTS GENERALLY.—The Government will endeavour through the Consular and Commercial Attaché Services to stimulate the export trade in every direction.

23. AGRICULTURE.—A Commission is sitting to examine and report as to the minimum prices to be fixed for the purchase of the crops next year. But as it can hardly report for some weeks, and the farmers are now making their plans for next year's crops, the Government are prepared now to undertake to continue, for another year at any rate, prices approximately the same as those obtained up to the present.

24. PROTECTION AGAINST HARMFUL COMBINATION.—With a view to protecting the public against any harmful effects of trusts and trade combinations, the Government require powers of inquiry as a preliminary to taking action in time, if action should become advisable. Powers have already been obtained under the Profiteering Act for a period of six months, but, as announced in the House of Commons, the Government intend to introduce legislation in the autumn designed to secure powers of a more complete and more adequate nature.

25. STATISTICS AND INFORMATION.—The Government intend to collect fuller information about production, trade, prices, costs, and profits than has hitherto been obtained, and to seek any powers that may be requisite.

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